

Covid-19 measures: to 3 April 2020

The 11 March Budget from the Chancellor, Rishi Sunak, included £7 billion of expenditure targeting the impact of Covid-19 on employees, the self-employed and businesses. On 17 March a further raft of measures was announced, amounting to an additional £20 billion of support expenditure plus £330 billion of loan guarantees.

By 20 March another round of support was announced of such size that no price tag was attached. On 26 March the much-awaited package for the self-employed was announced. There has since been a steady trickle of clarifications and fresh announcements from the Treasury and other parts of the government.

We have pulled together a round-up of the various announcements so far for businesses and individuals including useful links to government sites and added new details where released including announcements through 3 April.

Measures for business

Coronavirus Job Retention Scheme (CJRS)

Some form of job support scheme had been expected after the 17 March announcement and the CJRS is similar to schemes that have already been set up elsewhere in Europe. Under the CJRS, “HMRC will reimburse 80% of a furloughed worker’s wage costs, up to a cap of £2,500 per month’, provided the worker was on the employer’s PAYE payroll on 28 February 2020.

In this context ‘furloughed workers’ are non-working employees (including part timers and employees on agency, flexible or zero hours contracts) who are kept on the payroll, rather than being laid off. The employer has to designate these employees and submit relevant information to HMRC via a “new online portal”. The HMRC payments will cover 80% of “usual monthly wages” plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that wage.

The CJRS is available to one person companies whose director/owner furloughs themselves. However, only salary is covered, not dividends, and like all other furloughed workers, the director “cannot undertake work for or on behalf of the organisation”. According to press reports the Treasury nevertheless accepts that the director may continue with their statutory obligations in that role.

Statutory sick pay (SSP)

Businesses with fewer than 250 employees as at 28 February 2020 will be refunded the full cost of providing SSP to any employee off work for up to 14 days because of coronavirus.

Loan guarantees

A government-backed loan guarantee scheme announced in the Budget has since been regularly extended and enhanced. The Government will now provide loan guarantees up to “an initial” £330 billion for *all* sizes of businesses. In all instances businesses remain responsible for repaying any facility they may takeout – any guarantees are for the lender:

- **For large firms (with more than £4 5million turnover)**, the Bank of England has launched a [Covid Corporate Financing Facility](#) (CCFF), which “will provide funding to businesses by purchasing commercial paper of up to one-year maturity, issued by firms making a material contribution to the UK economy”. The company must satisfy Bank of England lending criteria, which originally meant having an investment grade credit rating from a ratings agency but has since been changed to also allow lending banks to judge credit worthiness. However, the ultimate decision remains with the Bank of England. As at 3 April, about £3.5 billion had either been provided or committed.
- **For medium sized businesses (turnover between £45 million and £500 million)** On 3 April the Chancellor announced the [Coronavirus Large Business Interruption Loan Scheme](#) (CLBILS). The scheme is due to launch later in April and will fill a finance gap that had emerged between the two existing loan support schemes. The CLBILS will have a loan ceiling of £25 million and is targeted at businesses that are too large for the CBILS (see below) but fail to meet the criteria for the CCFF. The new scheme will provide a government guarantee of 80% on individual loans and other forms of finance (e.g. overdrafts) for businesses.

The aim is to provide support for businesses that were viable before the Covid-19 pandemic but now face significant cash flow difficulties that would otherwise make their business unviable in the short term. Lenders will be expected to conduct their usual credit risk checks and charge commercial rates of interest.

- **For small and medium sized businesses (turnover up to £45m)** The loan limit on the [Coronavirus Business Interruption Loan Scheme](#) (CBILS) is now £5 million, with no interest charged for the first twelve months and lender-levied fees will be covered. The scheme is delivered through 40 accredited commercial lenders, backed by the [British Business Bank](#). Eligible SMEs must be UK-based and meet “the other British Business Bank eligibility criteria”. The government has made clear that this now means the CBILS is available to all SME businesses affected by Covid-19 and not just those unable to secure regular commercial financing elsewhere. Lenders cannot require personal guarantees on borrowing of under £250,000, nor can primary residential property be taken as security under the scheme. When a personal guarantee is

required, it is capped at 20% of the outstanding value of the loan. As at 3 April, the CBILS had provided £90 million of loans to nearly 1,000 businesses.

Deferral of [VAT](#) and [Income Tax](#) Payments

For the period between 20 March 2020 and 30 June 2020, businesses will not be required to make a VAT payment. Instead they will be able to defer this payment until the end of the 2020/21. VAT refunds and reclaims will be paid by the government as normal. No applications will be required as the process will be automatic.

Self assessment income tax payments due on the 31 July 2020 (the second payment on account for 2019/20) will be deferred until the 31 January 2021. This also will not require an application and is *not* limited to just the self-employed, although the Treasury says “If you are still able to pay your second payment on account on 31 July you should do so”. Penalties and interest for late payment will not be charged in the deferral period.

[Business Rates Retail Discount](#)

All shops, cinemas, restaurants, music venues and business operating in the leisure and hospitality sectors will have **no** business rates to pay in 2020/21.

On 17 March the Chancellor also promised an additional cash grant of “up to £25,000 per business” to businesses with a rateable value of less than £51,000 – i.e. those that would have benefited from the old version of the Business Rates Retail Discount Scheme.

[Businesses already eligible for small business rates relief \(SBBR\)](#)

There will a flat £10,000 cash grant for each business based in England that already benefits from zero or reduced business rates because of small business rate relief.

[Nursery businesses that pay business rates](#)

For nursery school businesses based in England, there will be a business rates holiday for 2020/21. The nursery property must be:

- occupied by providers on Ofsted’s Early Years Register
- wholly or mainly used for the provision of the Early Years Foundation Stage.

[Commercial insurance](#)

The question of the extent to which any insurance policy provides cover for the Covid-19 outbreak has proved contentious. Pandemic cover is not a feature of most business disruption cover, a point underlined by the Association of British Insurers (ABI) in a [statement](#) it issued on 17 March. The ABI has since launched an information [hub](#) dealing with the impact of the virus on a range of insurance policies, from trade credit to private health.

Off-payroll working in the private sector (IR35)

On 17 March, the Chief Secretary to the Treasury, Steve Barker, said in a statement to the House of Commons that the start date for the new IR35 tax rules would be deferred to 6 April 2021.

Time to Pay (TTP)

In the Budget, the Chancellor announced that HMRC would scale up its Time To Pay service, giving businesses and the self-employed the chance to defer tax payments.

Protection from property forfeiture

Commercial tenants who cannot pay their rent because of COVID-19 are protected from forfeiture of their business property if they miss a payment up until 30 June 2020.

Going concern

The Financial Reporting Council (FRC) has issued financial [guidance](#) in conjunction with the Financial Conduct Authority (FCA) and Prudential Regulatory Authority. This includes extensive [information](#) for auditors covering areas such as how to deal the question of whether a business is a going concern.

Wrongful Trading and business restructuring

On 28 March the UK Business secretary announced changes to insolvency law "to enable UK companies undergoing a rescue or restructure process to continue trading, giving them breathing space that could help them avoid insolvency".

The wrongful trading law is being temporarily suspended, retrospective from 1 March 2020. for three months. This gives company directors the ability to keep their businesses in being without risking personal liability.

Scotland, Wales and Northern Ireland

Some elements of business support are devolved:

- Guidance for Scotland is [here](#)
- Guidance for Wales is [here](#)
- Guidance for Northern Ireland is [here](#)

Government guidance for employers and businesses is [here and business support details are here](#).

Measures for individuals

Mortgage holidays

For people who find themselves in financial difficulties because of coronavirus, mortgage lenders will offer at least a three-month mortgage holiday. This holiday extends to buy-to-let landlords.

Protection from eviction

Private and social landlords will not be able to start proceedings to evict tenants for the period to 30 September 2020.

Statutory sick pay (SSP)

SSP is currently paid at the rate of £ £95.85 a week. It is now available to employees from day one, instead of day four, for those who are suffering from the virus or who have been advised to self-isolate. There has been no change in the minimum earnings threshold for SSP (£120 a week in 2020/21).

Individuals ineligible for SSP

Self-employed and gig economy workers generally do not qualify for SSP. Instead they may be entitled to [Contributory Employment and Support Allowance](#).

Covid-19 sufferers and self-isolators will be able to claim the benefit from day one instead of day eight. The [Minimum Income Floor](#) in [Universal Credit](#) (UC) has been temporarily removed to ensure that time off work because of sickness is reflected in benefits.

For 12 months from 6 April 2020, the standard allowance in Universal Credit (UC) and the basic element in Working Tax Credit (WTC) for will be increased by the equivalent of about £20 a week over and above annual uprating (which were to £323.22 per month for UC for age 25 and over and £1,995 a year for WTC for 2020/21). This effectively brings UC into line with the rate of SSP. The change applies to all new and existing UC claimants and to existing WTC claimants.

Housing benefit

Housing benefit and the [housing element](#) of UC will be increased so that the Local Housing Allowance will cover at least 30% of market rents.

Hardship Fund

The Chancellor announced in the Budget a £500 million Hardship Fund, which would be distributed to Local Authorities so that they could support the vulnerable.

Government guidance for employees is [here](#).

Government guidance on claiming benefits is [here](#).

Main provisions for the self-employed

On Thursday 26 March, Chancellor Rishi Sunak made his long-awaited [statement](#) about the Covid-19 government support scheme for the self-employed, called the [Self-employment Income Support Scheme](#) (SEISS). Reports suggest that the announcement had been slow to arrive because of the greater difficulty in structuring and running a scheme that relied on annual information (via tax returns) and could not operate via the PAYE system.

SEISS provisions

The SEISS will pay a directly payable taxable grant to the self-employed (including members of partnerships) based on 80% of profits averaged over the last three tax years (or shorter periods if self-employment started after 2016/17), subject to a maximum of £2,500 a month.

- The initial payment term of the SEISS grant will be “at least three months”.
- The payment of the grant will not prevent the claimant from continuing to work.

Restrictions on the SEISS

The SEISS will be restricted in three ways:

1. Self-employment must provide the majority of the claimant’s income (based on the period used for the £50,000 test set out below).
2. Trading profits either:
 - were less than £50,000 in 2018/19; or
 - trading profit were less than £50,000 averaged over the three tax years from 2016/17. If trading started between 2016-19, HMRC will only use those years for which a Self-Assessment tax return has been filed.

According to the Chancellor, these thresholds mean the scheme covers 95% of the self-employed. The corollary is that it creates a cliff edge at £50,000, a figure that appears elsewhere in the tax system (e.g. the higher rate tax threshold).

3. The claimant must have submitted a 2019 tax return (covering the 2018/19 tax year). As a concession, any later filer will have four weeks to submit their overdue return if they wish to be included in the scheme.

HMRC will use their existing information to assess eligibility and contact individuals directly, requesting completion of “a simple online form”. A gov.uk [webpage](#) gives more details, but is somewhat confusingly headed “Claim a grant through the coronavirus (COVID-19) Self-employment Income Support Scheme”. The “don’t call us, we’ll call you” approach is aimed at preventing HMRC being overwhelmed with telephone queries, as has happened with the DWP’s Universal Credit system.

Timing of payments

Payments from HMRC should start at the beginning of June. The initial sum will represent three months' cumulative payments. Until then the self-employed can claim Universal Credit. In his statement the Chancellor said Universal Credit could give a self-employed person with a non-working partner and two children, living in the social rented sector, support of up to £1,800 a month.

Anyone whose self-employment started after 5 April 2019 and thus has no self-employed earnings recorded with HMRC cannot benefit from the scheme and must rely on [Universal Credit](#).

One-person companies

Those who operate through one person companies are not covered by the scheme as, despite the media label often given to them, they are not self-employed. The Treasury press release states that such people “will be covered for their salary by the Coronavirus Job Retention Scheme if they are operating PAYE schemes”. The use of the word ‘salary’ is key here, as many one person companies route the bulk of their employee’s remuneration via dividends to reduce National Insurance liabilities (see CJRS above).

In his closing remarks the Chancellor noted that “...in devising this scheme ... it is now much harder to justify the inconsistent contributions between people of different employment statuses”. This was a subtle way of suggesting that National Insurance contributions will have to rise for the self-employed once the crisis is over.

Coronavirus Act

The day before the Chancellor’s latest statement, the [Coronavirus Act 2020](#) received Royal Assent. This 348-page Act deals with a broad range of Covid-19 related measures (many of which exclude Scotland because of its devolved powers), including:

- Food supply.
- Statutory Sick Pay (SSP) modifications, e.g. funding of the employer’s liabilities.
- Suspension of the complex abatement rules that either reduce or suspend NHS pensions on an individual’s return to work.
- Uprating of working tax credit.
- Protection from eviction for residential tenancies to 30 September 2020.
- Protection from forfeiture for commercial tenancies to 30 June 2020.

The explanatory notes for the original Bill (introduced on 19 March) are [here](#). Updated government Covid-19 guidance on business support is [here](#) and for employees is [here](#).